

E-017/M-94-345 ORDER ACCEPTING DEMAND-SIDE MANAGEMENT INCENTIVE
REPORT

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Don Storm
Tom Burton
Marshall Johnson
Cynthia A. Kitlinski
Dee Knaak

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of Otter Tail Power Company's
Demand Side Management Financial Incentive
Pilot Project and Electric Utility Conservation
Cost Recovery Report

ISSUE DATE: August 24, 1994

DOCKET NO. E-017/M-94-345

ORDER ACCEPTING DEMAND-SIDE
MANAGEMENT INCENTIVE REPORT

PROCEDURAL HISTORY

On April 1, 1994, Otter Tail Power Company (Otter Tail or the Company) filed its second annual demand-side management (DSM) financial incentive report.

On May 9, 1994, the Department of Public Service (the Department) filed comments recommending approval of the Company's report.

No other party filed comments.

The matter came before the Commission for consideration on August 18, 1994.

FINDINGS AND CONCLUSIONS

I. The Company's Report

The Company's April 1 filing contains two major sections: a 1993 conservation improvement program (CIP) cost recovery report; and a 1993 DSM financial incentive pilot project report.

A. CIP Tracker Account Activity Report

Otter Tail's CIP tracker report includes costs for the 12-month period ending December 31, 1993. During that period the Company entered \$1,419,873 in CIP costs and \$125,238 in carrying charges in the tracker account. The tracker balance as of December 31, 1993, is \$2,503,100.

Otter Tail reported that it added a line item to its reporting format to reflect charge adjustments between project work orders. The Company believes this addition will allow it to report current project costs more accurately.

B. DSM Financial Incentive Project Report

This section of Otter Tail's filing contains a calculation of the carrying charge, lost margin and bonus amounts, an evaluation of the Company's DSM financial incentive mechanism, and evaluations of the direct impact projects.

The Company reported \$241,436 in recoverable lost margins in 1993 and an earned bonus of \$82,106. The bonus is based on the total kwh conserved from direct impact projects, determined by success in meeting CIP kwh savings goals. The Company included results of the Net Benefits Test and the kwh Performance Test used in calculating the bonus.

The Company explained that it is participating in a working group established by the Commission to evaluate the continued usefulness of financial incentives for all Minnesota electric utilities.¹ Otter Tail stated that it would use the findings of the working group and the Company's own experience to develop and improve its financial incentive program for 1995 and beyond.

II. Commission Analysis

The Commission agrees with the Department that the Company correctly calculated its carrying charges, lost margins, and bonus amount. The Commission will allow the Company to book \$125,238 in carrying charges, \$241,436 in lost margins, and \$82,106 in earned bonus to its CIP tracker account for 1993.

The Commission will take no action on the CIP tracker account activity report included in this filing. This docket reaches only the booking of lost margins and carrying costs into the CIP tracker, not the actual approval or recovery of those costs.

The Commission will not analyze the Company's evaluation of its DSM financial incentive mechanism at this time. The working group called by the Commission is currently exploring financial incentive issues for all Minnesota electric utilities. The Commission will examine the group's report (expected in late September, 1994) before evaluating Otter Tail's financial incentive mechanism.

ORDER

1. The Commission approves Otter Tail's request to book lost margins of \$241,436, carrying charges of \$125,238, and a bonus amount of \$82,106 to the Company's CIP tracker account for 1993.
2. This Order shall become effective immediately.

¹ The working group was established in a January 31, 1994, Commission Order. In the Matter of the Proposal of Otter Tail Power Company for a Demand-Side Management Financial Incentive, ORDER EXTENDING PILOT PROJECT, REQUIRING FURTHER FILINGS, AND AUTHORIZING WORKING GROUP, Docket No. E-017/M-91-457.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)